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THE NEXT BIG BUSINESS OF NATIONAL GEOGRAPHIC IBERIA
POSITIONING AND CUSTOMER SERVICE

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List of Abbreviations

NG – National Geographic

NGE – National Geographic Experience

EG – Escape Games

ER – Escape Rooms

CBBE – Customer Based Brand Equity

B2B – Business-to-Business

B2C – Business-to-Customer

PS – Positioning Statement

FoR – Frame of Reference

POD – Point of Difference

POP – Point of Parity

RTB – Reasons to Believe

SCA – Sustainable competitive advantages

SEM – Service Excellence Model

EMS – Employees Management System

To define and develop *The Next Big Business of National Geographic (NG) Iberia*, several business models were explored and between those National Geographic Experience (NGE) was the selected one. NGE is a NG flagship store, composed by an Escape Game (EG) that is complemented by a coffee shop, a merchandising area and a free exhibitions area. Moreover, NGE is a retailer with a unique retail format, in which the experience provided and the customer service play a key role. To better understand the reasoning behind the final NGE strategy, the retail strategy and the resulting positioning are going to be analyzed, as well as the customer service provided (based on the Service Excellence Model).

Positioning

Positioning is “the act of designing the company’s offer and image so that it occupies a distinct and valued place in the target customer’s mind”, with whom the company aims to develop a long-term relationship (Keller 2012). Thus, the customer based brand equity (CBBE) model refers that the power of a brand lies in what resides in the minds of customers, being necessary to build strong and unique brand associations, that make the customers want to purchase the brand (Keller 2012). Consequently, to deliver a strong CBBE, it is necessary to develop a good Positioning Statement that addresses the Target Market; the Nature of the Competition and the Points of Parity (that together define the Frame of Reference), and the Points of Difference and the Reasons to Believe (Tybout, 2005).

However, before designing the positioning statement, the Retail Strategy of the brand will be analyzed, since its elements are directly correlated with the Positioning Statement elements, referred above. In fact, the Retail Strategy is a statement that identifies the retailer target market, the format and resources retailers plans to use to satisfy the target markets’ needs and the sources for its sustainable competitive advantages (SCA) (Levy 2014).

Target Market is the market segment toward which the retailer plans to focus its resources and retail mix (Levy 2014). However, before defining the target market is necessary to segment the market, which involves dividing the market into distinct groups of consumers who have similar needs and behaviors and thus require a similar marketing mix (Keller 2012). It should be considered that the segmentation bases in a Business-to-Consumer (B2C) and in a Business-to-Business (B2B) market are different (Appendix 1), which will affect the way segments are analyzed (Gupta, 2014). Moreover, an accurate segment must fulfill the five criteria: Measurable; Substantial; Accessible; Responsive and Actionable (Keller, 2012) (Appendix 2). After the segmentation process, the company should try to understand the several segments, its preferences and perceptions, to then target one or more segments that are aligned with the brand objectives and vision.

Moreover, Target market selection must consider the competition, the segment characteristics and the fit with the company, choosing the option that, make the company more probable to succeed (Appendix 3).

In NGE case, three segmentations were performed: one in a B2C market and two in B2B markets. Appendix 4, shows the market segmentation for the entertainment market (B2C), which was based in two criteria: Social Experiences (like or not like), which is a psychographic criteria, and Geographic (locals or foreigners). To analyze the first criteria, subcategories were used to categorize the customers, from which resulted 4 segments. Thus, by considering NG goals as a company, Millennials (Local Social Experience Lovers) were selected as primary target market (Appendix 4). The two secondary target markets (B2B) -companies and schools - are approached on Appendix 5 and 6. The reason why there is the need to have two secondary targets is because NG aims to be closer to the community, so it makes sense to serve the needs of these segments, but also because one of the Millennials' challenges is that they are only available to go to NGE after

work, which has a negative impact on NGE occupation rate during most of the week. Consequently, by targeting these two segments, the problem is mitigated, since for them is preferable to use NGE in the lower occupation rate hours.

Continuing the Retail Strategy analysis, **Retail Format** describes the nature of the retailers' operations design that is used to satisfy its targets markets (Levy 2014). Moreover, there are several types of retailers divided in General merchandise retailers, Service Retailing and non-store retailers (Appendix 7). However, NGE has a unique retail format, by combining an Escape Game (EG), with a coffee shop, and merchandising and free exhibitions areas - resulting in a unique mix of assortment, service, location, design and layout (see Appendix 8 for NGE' service outputs).

Finally, a **SCA** is an advantage the retailer has over its competition that is not easily copied by competitors and that can be maintained over time (Levy 2014). Moreover, there are different sources of SCA, and the way the company defines them is what makes the company more or less capable of maintaining the SCA over time (Appendix 9). For NGE, the SCAs are the accessible location in a high traffic area; a unique service combinations; high quality offer (especially relevant in the EG unique offer); highly committed staff and the reputation of NG brand. NGE also aims to develop customer loyalty, which can be done by offering excellent customer service (Levy 2014).

The information defined above, can now be applied to the brand positioning, which can be based in two perspectives that are complementary: competition-based positioning and a customer-based positioning (Tybout, 2010). Competition based positioning entails choosing a category and a point of difference (POD). The category serves as a foundation for the competition-based approach position because it implies the goal that a consumer achieves by using the brand. The selection of the POD aims to address the features or benefits that distinguish the brand from competitors in the same category and that is valued by the targeted consumers (Appendix 10) (Tybout, 2010).

The Customer-based perspective distinguishes a brand from the competing firms, on important benefits to consumers, being focused on how consumption of the brand and the category is relevant to customers' lives. Adopting the customer-based approach requires uncovering the abstract meanings associated with consumption of a particular brand (brand essence), or of a general category (Category essence). Moreover, the laddering process allows to examine progressively more abstract implications of a brand's features, reaching to the last stage, which is the brand essence (Appendix 11). It is used when consumers have already acquired the basic understanding of the brand positioning, so the positioning is updated to go deeper on the meanings associated with the brand. On the other hand, the development of the category essence entails the association of the category to other objects that collectively represent a consumer goal (Tybout, 2010).

The Positioning Statement (PS) (Appendix 12) structure for NGE, starts with the definition of the Target Market, that has already be analyzed above. After that, it is defined the **Frame of Reference** (FoR), which falls into two categories: based on products (by claiming membership in a product category) or based on consumer goals (developing a more abstract frame of reference related to the emotional goals of the offer) (Tybout, 2005). Moreover, choosing to compete in different categories often results in different competitive FoR and thus different POPs and PODs (Keller 2012), which is what happens in NGE three segments.

Consequently, the Points of Parity (POP) are defined, which are associations that may be shared with other brands, and that may have two forms: category POP and Competitive POP. The former are necessary, but not sufficient conditions for a brand choice, being the minimal attributes expected within a category. It may change over time due to technological advances, legal developments and consumer trends. The latter are associations designed to negate competitions' POD (Keller 2012). Moreover, following POP, Points of difference (POD) should be addressed.

POD are attributes and unique associations that consumers strongly associate with a brand and they believe that they could not find to the same extent with a competitive brand. According with the CBBE model, these associations can be classified in terms of either concrete and functional (performance related considerations) or abstract and reflecting emotional benefits (imaginary-related considerations). Thus, to define a POD it must be desirable (being personally relevant, superiorly distinctive and credible for the consumer) and Deliverable (being feasible for the company to perform at stated level and sustain that performance over time) (Keller 2012). Furthermore, after analyzing the SCA and the POD concept it is possible to conclude that they are related.

Finally, POD gain credibility by adding **Reasons to Believe** (RTB), that present tangible evidence for the benefits, such as brand attributes (Tybout, Kellogg on Branding 2005).

It is important to keep in mind that, the positioning of a brand must be updated over time, which can be performed in two ways: Laddering (explained above) or Reacting, which is the company reaction to the competitor's actions that are trying to transform the brand's POD in POP. Depending on the type of competitors' actions, the company may react by doing nothing, go defensive, or by being offensive. The important is to be aware of it and react to keep solid SCAs (Keller 2012).

The Millennials PS is now introduced: (see Appendix 13 for the other targets' PS).

To Local Iberian Millennials looking for a social interactive experiences [Target], NGE **is a brand** of high quality entertainment with a unique retail format and mix that includes an escape game and other complementary experiences, in a great location [Frame of Reference], enabling customers to have fun with their friends and fell unusual emotions [Engagement]. It **provides** the most immersive, interactive and superior team experience of the local entertainment market [PODs],

because NGE (1) benefits from the strong brand reputation of NG, (2) it delivers an unique combination of experiences in a high traffic premium area, (3) it uses NG's high expertise to develop ER's content, (4) it developed partnerships with high tech and escape games designer experts, that will allow to deliver an unforgettable experience, and (5) it challenges its customers physically and psychologically in a unique surrounding environment that complements the whole experience [Reasons to Believe].

Customer Service

Customer service is the set of activities and programs undertaken by retailers to make the shopping experience more rewarding. It provides a strategic advantage since excellent service can be important to customers, difficult for competitors to duplicate, keeps customers returning to a retailer and generates positive WOM, which attracts new customers (Levy 2014). However, when it is not done correctly it has massive negative impact on the business.

It is important to consider that, the customer's perceptions and expectations about the service are crucial for the success of the business, and customers are only satisfied when expectations are met or surpassed. On Appendix 14, the levels of customers' expectations and the five service characteristics that affect customer's perception, are approached. (Lovelock 2011). Thus, to deliver a successful service, it is necessary to close the gaps between the customer's perception and expectations about the service (Appendix 15), which is mainly dependent on the employee's performance and on the company culture.

In fact, for a company to develop a successful service, it is crucial to succeed in its customer service, and NGE is not an exception. Furthermore, the Service Excellence Model, is used to address the modern demands of a service and, if correctly applied, it allows companies to master customer

service. This model considers four key elements for excel customer service: service offering, funding mechanism and employee and customer management systems. Furthermore, the appropriate design of any of the four elements depends upon the other three and they must be integrated between them and supported by a strong and clear culture to work properly (Frei 2008).

Service Offering

Frei (2008) stated that “the only organizations that are superior at most service attributes demand a premium price of 50% over its competitors, but most industries do not support this type of premium price so trade-offs are necessary”. In fact, to achieve service excellence, the trade-off between underperforming on the dimensions customers’ value least and over perform on the dimensions customers value the most, is what allows to deliver the ideal service to a specific target. However, this choice must be a strategic decision, for which is necessary to clearly understand the customer needs and behavior and then plan accordingly (Frei, 2012). Most of the companies fail to achieve excellence because there is an emotional unwillingness to embrace weakness, failing to understand that a more appropriate offer to its target can lead to a faster growing business.

To make this strategic decision, first it is necessary to do research about what are the target’s preferences; secondly, the resulting attributes must be ranked, from the most to the least important; thirdly, the company must decide what is its relative performance in each service dimensions, rating it from 1 to 5; and finally the competitor’s position can be incorporated, allowing to compare the service offerings. Moreover, to reflect all this information, an Attribute Map should be developed, and the company must aim to deliver a high level of customer service to the most important attributes, and delivering a very low performance level to the least important ones. Thus, the perfect pattern is a nearly diagonal line moving upwards from left to right (Appendix 16). In Appendix 17, the Millennials’ attributes map is presented: on the vertical axis, the attributes were ranked

according with their importance level (supported by the research) and it represents the performance level of NGE (which reflects the desired pattern) and of its competitors, in each attribute.

When there are several target markets that share the values and want the same experience but have different service needs, separate attribute maps should be created, because they have different operating needs (Frei, 2012). However, instead of doing it, the company can decide to focus on one operating segment and build a single service offer. For NGE, the former was applied, being developed a different attributes map for each segment, including for both NGE's secondary targets (Appendix 18). In Appendix 19, the resulting service offerings for the three segments are presented.

Funding mechanism

After defining the service offering it is necessary to decide how it is going to be funded, and this will depend from the industry dynamics and of the relationship between the brand and the customers.

Companies can choose between four options. The first option is to charge in a **palatable way**, in which the company is delivering an excellence service, but instead of charging for the service it charges an extra for the products. However, it must be fair for the customers, making them happy to pay the extra and not the opposite. The second alternative is **reducing costs while improving service** (for example, when private classes are substituted by group classes, the costs are reduced but the service is also improved by allowing students to share their learnings). The third option is to **improve the service in a way that it lowers costs** (for instance, by increasing customers support, the service is improved but the company has also more knowledge to optimize their offers and decrease the costs). The last funding alternative is when **customers serve themselves** (when customers do employees' work for free, improving their own experience at the same time). However, it is important to consider that, for self-service to be part of service excellence it must be

so good that it is preferred to the available full service alternative (Frei, 2012), and many companies fail on that.

To fund the high quality, immersive, premium and unique experience, NGE will charge its customers in a palatable way. Meaning that, to fund the high quality of the technology and of the escape design; the high quality service provided by the staff; the welcoming coffee area where customer can stay as long as they want and the explorer area where they can experience exhibitions for free, the customer will pay a premium price for the products (EG ticket, merchandising and coffee shop products).

Employee Management System

“What makes employees reasonably able to achieve excellence? And what makes them reasonably motivated to achieve excellence?” are the main question that should guide the Employee Management System (EMS) design, to allow the average employee to succeed (Frei, 2012). Then, the selection, training, job design and performance management are crucial for a successful EMS.

Regarding **selection**, the company needs to decide, according with its service needs, if it is going to hire employees for attitude or aptitude, being that hiring for both is very expensive (Appendix 20). For NGE, it is crucial to have welcoming and friendly employees, and since the product offer and job design is relatively simple, it will hire for attitude, aiming for interpersonal skills. The **training** is important to prepare employees for the job and to transmit them the culture of the company. Moreover, NGE will train its employees on how to deliver an immersive experience and teach them about the characteristics of each room and packages. To achieve a **job design** in which average employees can succeed, it must be simplified, reducing the technical complexity of the job and it must be adjusted to the company employees' profile. If there is a gap between the employee's sophistication and the job operational complexity it will affect the delivery of the service (Appendix

21). NGE has a simple product offering and employees have always support for all functions of the job design. Finally, **Performance management** should be dynamic and actively adjusted to internal and external changes, creating incentives for the employees to excel. In NGE, employees have a compensation system based on the occupation rate of the rooms (Appendix 22), and each month, an employee is selected and rewarded (based on customers and colleague's feedback).¹

Customer management system

The customer can be involved in the operational processes, which can have profound implications for management because it alters the traditional role of business in value creation (Frei, 2008). Involving customers as an active part of the service, instead of just as consumers, must be a deliberate decision of the company, since it will be necessary to also manage them. However, customers are like unpaid, untrained and unmotivated employees, which adds a lot of variability to the equation. Consequently, service excellence is dependent on the design and on a strong company culture play to transmit a clear and engaging message to the customers.

In fact, customers can follow the system elements as the EMS. Thus, they must be selected and trained, they must have a simple job design and a solid customer performance management. Frei (2008) states that “the important thing is to manage customers in a way that is consistent with the service attributes you’ve chosen to emphasize overall.” Moreover, NGE will integrate customer in its service, by adding self-service processes, such as the self-booking system online, allowing customers to analyze which slots they prefer; by incentivize them to commit with the experience by pre-paying, which also selects the customers, since only the ones that are truly interested will be willing to pay and by sending phone messages with instructions before the EG starts.

¹These principles will be applied by the Partner that will run the NGE locations and that will hire, train and manage employees, specifically for NGE.

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